

1 ROBBINS GELLER RUDMAN  
2 & DOWD LLP  
3 TOR GRONBORG (179109)  
4 TRIG R. SMITH (237399)  
5 STEPHEN JOHNSON (347822)  
6 655 West Broadway, Suite 1900  
San Diego, CA 92101  
Telephone: 619/231-1058  
619/231-7423 (fax)  
torg@rgrdlaw.com  
trigs@rgrdlaw.com  
sjohnson@rgrdlaw.com

## Lead Counsel for Lead Plaintiff

UNITED STATES DISTRICT COURT  
CENTRAL DISTRICT OF CALIFORNIA  
WESTERN DIVISION

11 MICHAEL STRADFORD, Individually ) Case No. 8:24-cv-02459-SPG-JDE  
12 and on Behalf of All Others Similarly )  
13 Situated, )  
14 Plaintiff, )  
15 vs. )  
16 CHIPOTLE MEXICAN GRILL, INC., )  
17 BRIAN NICCOL, JOHN R. )  
18 HARTUNG, and LAURIE SCHALOW, )  
Defendants. )  
Case No. 8:24-cv-02459-SPG-JDE  
CLASS ACTION  
CONSOLIDATED COMPLAINT FOR  
VIOLATIONS OF THE FEDERAL  
SECURITIES LAWS  
DEMAND FOR JURY TRIAL

1 Lead Plaintiff Lisa Tai hereby brings this action on behalf of herself and all  
2 persons or entities who purchased or otherwise acquired Chipotle Mexican Grill, Inc.  
3 (“Chipotle” or the “Company”) common stock, all persons or entities who purchased  
4 or otherwise acquired Chipotle call options, and all persons or entities who sold or  
5 otherwise disposed of Chipotle put options (collectively referred to herein as  
6 “Chipotle securities”), during the February 8, 2024 and October 29, 2024 Class Period  
7 between February 8, 2024 and October 9, 2024, inclusive (the “Class Period”), and  
8 were damaged thereby (the “Class”). Excluded from the Class are Defendants, as  
9 defined below, present or former executive officers and directors of Chipotle and their  
10 immediate family members (as defined in 17 C.F.R. §229.404(1)(a)(iii) and (1)(b)(ii)).  
11 Plaintiff seeks to recover damages caused by Defendants’ violations of §§10(b) and  
12 20(a) of the Securities Exchange Act of 1934 (“Exchange Act”), and Rule 10b-5  
13 promulgated thereunder.

14 Plaintiff alleges the following based upon personal knowledge as to herself and  
15 her own acts and upon information and belief as to all other matters. Plaintiff’s  
16 information and belief is based on, *inter alia*, the independent investigation of her  
17 counsel, Robbins Geller Rudman & Dowd LLP. This investigation included, but was  
18 not limited to, a review and analysis of: (i) Chipotle’s public filings with the U.S.  
19 Securities and Exchange Commission (“SEC”); (ii) transcripts of Chipotle’s public  
20 conference calls; (iii) press releases; (iv) independent media reports regarding  
21 Chipotle; (v) economic analyses of the Company’s stock price movement and pricing  
22 and volume data; (vi) consultations with relevant experts; (vii) other publicly available  
23 material and data identified herein; and (viii) information obtained from former  
24 employees of the Company. Plaintiff’s investigation of the alleged fraud continues.

#### 25 **JURISDICTION AND VENUE**

26 1. The claims asserted herein arise pursuant to §§10(b) and 20(a) of the  
27 Exchange Act (15 U.S.C. §§78j(b) and 78t(a)), and Rule 10b-5 promulgated by the  
28 SEC (17 C.F.R. §240.10b-5).

1       2. This Court has jurisdiction over the subject matter of this action pursuant  
2 to 28 U.S.C. §1331, and §27 of the Exchange Act (15 U.S.C. §78aa).

3       3.     Venue is proper in this District pursuant to 28 U.S.C. §1331(b) and §27  
4 of the Exchange Act (15 U.S.C. §78aa), as conduct constituting the alleged Exchange  
5 Act violations occurred in this District, including alleged misstatements made in this  
6 District, and damages took place in this District.

7       4. Defendants, directly or indirectly, used the means and instrumentalities of  
8 interstate commerce, including the United States mail, interstate telephone  
9 communications, and the facilities of the national securities exchange, to conduct the  
10 unlawful acts and wrongs alleged herein.

## PARTIES

12       5. Plaintiff made transactions in Chipotle securities during the Class Period  
13 and suffered economic losses as a result of Defendants' alleged unlawful conduct.  
14 ECF Nos. 25-2 and 25-3.

15       6.     Defendant Chipotle is the owner and operator of thousands of Chipotle  
16 Mexican Grill restaurants in the United States and other countries. The Company is  
17 incorporated in Delaware, and its principal place of business is located at 610 Newport  
18 Center Drive, Suite 1100, Newport Beach, California 92660. Throughout the Class  
19 Period, Chipotle’s stock traded in an efficient market on the New York Stock  
20 Exchange (“NYSE”) under the ticker “CMG.”

21       7.     Defendant Brian Niccol (“Niccol”) was the Company’s Chief Executive  
22 Officer and served on its Board of Directors from March 5, 2018 through August 31,  
23 2024, including as Chairman of the Board beginning in March 2020. In August 2024,  
24 Niccol resigned to serve as CEO of Starbucks Corporation. While he was CEO of  
25 Chipotle, the Company’s Code of Ethics applied to Niccol and stated:

26 It is illegal to buy or sell securities while . . . aware of material,  
27 nonpublic [sic] (or “inside”) information that you know about because of  
28 your job with Chipotle. . . . Information is considered material if it could

1 affect Chipotle's stock price or a person's decision to buy or sell  
2 Chipotle stock. . . .

3 Employees may not buy or sell Chipotle stock or any other  
4 security while they are aware of material, non-public information.

5 Further, the Company's Code of Ethics required Niccol to provide "accurate and  
6 complete information to the public and to all government and regulatory agencies."  
7 During the Class Period, Niccol was a designated spokesperson for the Company and  
8 signed Company financial statements during the Class Period, including the  
9 Company's February 8, 2024 annual report for the year ended December 31, 2023,  
10 filed with the SEC on Form 10-K (the "2023 10-K"), and spoke during the Company's  
11 second quarter fiscal-2024 earnings call (the "2Q24 Earnings Call"). In April 2024,  
12 Niccol sold 6,406 shares of his Chipotle stock for proceeds of \$20.4 million. Niccol's  
13 April 2024 sales were conducted outside of a Rule 10b5-1 trading plan, and the  
14 proceeds were not used to satisfy tax obligations associated with the exercise of stock  
15 appreciation rights.

16 8. Defendant John R. Hartung ("Hartung") served as the Company's Chief  
17 Financial Officer throughout the Class Period. On July 9, 2024, the Company  
18 announced that Hartung was retiring effective March 31, 2025. On August 14, 2024,  
19 due to Niccol's unexpected resignation, the Company announced that Hartung would  
20 remain as President and Chief Strategy Officer, a role in which he supported the  
21 Company's new CEO while maintaining oversight of the Company's new CFO. The  
22 Company's Code of Ethics also applied to Hartung and required him to comply with  
23 insider trading restrictions and to provide accurate and complete information to the  
24 public and governmental agencies. Throughout the Class Period, Hartung was a  
25 designated spokesperson for the Company, and he also signed Company financial  
26 statements during the Class Period, including the 2023 10-K, the 1Q 2024 Form 10-Q,  
27 and spoke during the Company's second quarter fiscal-2024 earnings call. In June  
28 2024, Hartung sold 2,461 shares of his Chipotle stock for proceeds of \$8.0 million.

1 Hartung's sale of the 2,461 shares was conducted outside a rule 10b5-1 trading plan,  
2 and the proceeds were not used to satisfy tax obligations associated with the exercise  
3 of stock appreciation rights.

4       9.     Defendant Laurie Schalow (“Schalow”) served as the Company’s Chief  
5 Corporate Affairs and Food Safety Officer throughout the Class Period. The  
6 Company’s Code of Ethics applied to Schalow and required her to provide accurate  
7 and complete information to the public and governmental agencies. Throughout the  
8 Class Period, Schalow was a designated spokesperson for the Company.

9       10. Defendants Niccol, Hartung and Schalow are collectively referred to  
10 herein as the “Individual Defendants.” Chipotle, together with the Individual  
11 Defendants, are collectively referred to herein as the “Defendants.”

12        11. The Individual Defendants possessed the power and authority to control  
13 the contents of Chipotle's SEC filings, press releases, and other market  
14 communications. The Individual Defendants were provided with copies of Chipotle's  
15 SEC filings and press releases alleged herein to be misleading prior to or shortly after  
16 their issuance and had the ability and opportunity to prevent their issuance or to cause  
17 them to be corrected. Because of their positions with Chipotle and their access to  
18 material information available to them but not to the public, the Individual Defendants  
19 knew or recklessly disregarded that the adverse facts specified herein had not been  
20 disclosed to, and were being concealed from, the public, and that the positive  
21 representations being made were then materially false or misleading. The Individual  
22 Defendants, along with Chipotle pursuant to the doctrine of *respondeat superior*, are  
23 liable for the Exchange Act violations pleaded herein.

## INTRODUCTION AND OVERVIEW

25        12. Chipotle owns and operates Chipotle Mexican Grill restaurants, which  
26 feature a menu of burritos, burrito bowls (a burrito without the tortilla), quesadillas,  
27 tacos and salads. The Company's first store was opened in 1993 in Denver, Colorado.  
28 By December 31, 2024, the Company owned and operated over 3,700 restaurants in

1 the United States and internationally. As admitted by Niccol on July 24, 2024:  
2 “Generous portions [are] a core brand equity of Chipotle. It always has been, and it  
3 always will be.”

4 13. From late 2023 and through the summer of 2024, however, Chipotle  
5 customers increasingly voiced their displeasure about the Company’s inadequate and  
6 inconsistent portion sizes. These complaints were broadly covered in the press,  
7 prompted investigative reporting, and spawned a Company investigation into whether,  
8 in fact, it was complying with its long-held brand equity of providing customers with  
9 generous meal portions.

10 14. During the Class Period, Defendants engaged in a fraudulent course of  
11 conduct that artificially inflated the price of Chipotle stock, including by making  
12 and/or issuing false and/or materially misleading statements relating to Chipotle’s  
13 portion sizes and the impact that correcting the Company’s shrinking portions would  
14 have on Chipotle’s cost structure, including false denials of the fact that the  
15 Company’s portion sizes were shrinking and inconsistent.

16 15. Defendants’ false and/or misleading Class Period statements include:

17 • February 8, 2024, in the 2023 10-K (signed by Niccol and  
18 Hartung), the Company stated: “Our inability or failure to  
19 recognize, respond to and effectively manage the  
20 immediacy of social media could have a material adverse  
21 impact on our business.”

22 • May 16, 2024, Schalow stated: ““We have not changed our  
23 portion sizes, and our guests continue to appreciate the  
24 value we offer them.””

25 • May 29, 2024, in response to CNBC’s financial host Jim  
26 Cramer’s question, “and you haven’t shrunk – you’ve not  
27 shrunk the portions[?]” Niccol responded: “No. No. We  
28 never have.”

- 1                   • On June 28, 2024, a day after Wells Fargo published an  
2                   analyst report criticizing Chipotle for inconsistent  
3                   portioning in eight New York City restaurants, CNN  
4                   reported that Schalow reiterated: “[T]he company has not  
5                   changed its portion sizes.”
- 6                   • On July 4, 2024, in an article entitled “Wells Fargo analysts  
7                   ‘weigh in’ on Chipotle sizing after restaurant chain faces  
8                   backlash online,” *Fox Business* reported that Schalow, on  
9                   behalf of the Company, stated: ““There have been no  
10                  changes in our portion sizes, and we aim to provide a great  
11                  guest experience every time.””
- 12                  • On July 24, 2024, Niccol stated: “[T]here was never a  
13                  directive to provide less to our customers.”

14                  16. Defendants’ statements were false and/or materially misleading because:

15                   (a) Between 2022 and the beginning of the Class Period, Chipotle’s  
16                   executives and upper management placed constant and intense pressure on its  
17                   restaurant managers to cut costs, closely monitoring and enforcing inventory targets,  
18                   which led to employees regularly skimping on portions, particularly for online orders,  
19                   with increasing frequency from 2023 to 2024;

20                   (b) Between 2022 and the beginning of the Class Period, Chipotle  
21                   leadership suggested to store managers that they could reduce portion sizes if they  
22                   struggled to meet inventory targets;

23                   (c) The conduct described in ¶16(a)-(b) above artificially and  
24                   unsustainably deflated the Company’s cost of sales and inflated its profit margins;

25                   (d) Between 2022 and the beginning of the Class Period, Chipotle’s  
26                   internal customer complaint database, monitored by Chipotle executives, revealed a  
27                   significant spike in complaints about portion sizes, increasing between 2023 and 2024;

1 (e) No later than March 31, 2024, Chipotle internally acknowledged  
2 that the rising level of customer complaints, and the Company's lack of response  
3 thereto, had negatively impacted customer sentiment and needed to be addressed;

4 (f) No later than May 29, 2024, Chipotle leadership instructed  
5 restaurant managers and employees to increase portion sizes as a result of an internal  
6 investigation into the widely reported claims that its portion sizes were shrinking and  
7 inconsistent; and

12        17. On June 27, 2024, prior to the market open, Wells Fargo analysts issued a  
13 report detailing its analysis of the weight of 75 burrito bowls ordered from various  
14 Chipotle Mexican Grill restaurants in the New York City area. Wells Fargo found  
15 that portions varied significantly, with the lightest bowls weighing up to three  
16 standard deviations below the median weight of all bowls ordered.

17        18. On that news, the price of Chipotle's stock fell \$3.45 a share, or 5.2%, to  
18 close at \$62.41 per share.

19        19. Between the close of the market on June 27, 2024 and July 24, 2024, the  
20 Company's stock price continued to fall, dropping approximately 20%, as a result of  
21 persistent negative information and customer complaints about Chipotle's shrinking  
22 portions. Market participants reported that, despite the recent excitement about the  
23 late June 2024 50-for-1 stock split, the Company's stock price had entered into a  
24 tailspin as social media coverage of Chipotle's ever-shrinking portions intensified in  
25 light of Defendants' repeated denials of the allegations.

26        20. On July 24, 2024, after the close of the market, Chipotle conducted its  
27 2Q24 Earnings Call, during which the Company made the following admission  
28 regarding the allegations concerning shrinking portions at its restaurants

1 I want to take a minute to address the portion concerns that have been  
2 brought up in social media. . . .

3 [Customer] feedback caused us to relook at our execution across  
4 our entire system with the intention to always serve our guests . . . with  
5 generous portions.

6 Chipotle also admitted that expected cost of sales would increase, in part, due to “an  
7 investment we are making as we focus on outlier restaurants to ensure correct and  
8 generous portions.”

9 21. On that news, the price of Chipotle’s stock fell another \$0.96 a share, or  
10 1.85%, to close at \$50.82 on July 25, 2024. The following day, the Company’s stock  
11 continued to fall, closing at \$49.83 a share.

12 22. On October 29, 2024, just before markets closed, Chipotle issued a press  
13 release, which it filed with the SEC on Form 8-K, announcing its third quarter  
14 financial results. In that press release, the Company disclosed that its cost of sales had  
15 increased 90 basis points due in large part to its focus “on ensuring consistent and  
16 generous portions.” Immediately after the close of the market, Chipotle conducted its  
17 3Q24 Earnings Call, and affirmed the disclosure of increased cost of sales and  
18 decreased margins during Niccol’s prepared remarks. The Company’s new Chief  
19 Financial Officer also signaled a 2% to 3% price increase would likely be necessary.

20 23. On that news, the Company’s stock price dropped by \$4.76 per share, or  
21 7.9%, to close at \$55.73 on October 30, 2024.

22 24. As a consequence of the corrective disclosures made to the market  
23 between June and October 2024, Plaintiff and members of the Class collectively  
24 suffered damages.

25  
26  
27  
28

## BACKGROUND AND OTHER RELEVANT FACTS

## The Company

3       25. Chipotle, incorporated in Delaware in 1998, began publicly trading in  
4 2006. Throughout the Class Period, the Company's main office was located at 610  
5 Newport Center Drive, Newport Beach, California 92660. The Company has  
6 competed in the "fast-casual" restaurant segment since its founding and caters to  
7 customers who expect food quality that's more in line with full-service  
8 establishments. Since its inception, Chipotle has coupled a food quality offering in  
9 line with full-service restaurants, with the speed and convenience associated with the  
10 fast-food segment. Further, as stated by Niccol in late July 2024: "Generous portions  
11 [are] a core brand equity of Chipotle. It always has been, and it always will be."

12        26. Throughout the Class Period, Chipotle owned and operated Chipotle  
13 Mexican Grill restaurants, featuring a menu of burritos, burrito bowls, quesadillas,  
14 tacos, and salads. In various filings with the SEC, Defendants stated the Company is  
15 “passionate about providing a great guest experience and making [its] food more  
16 accessible to everyone while continuing to be a brand with demonstrated purpose.”

17        27. Prior to Chipotle's 2006 initial public offering, McDonald's Corporation  
18 was the majority owner of the Company. McDonald's divested itself of its majority  
19 ownership position due to disagreements about Chipotle's business model. Chipotle  
20 owns and operates all of its restaurants, unlike most large fast-food companies that  
21 operate a franchise business model. As of December 31, 2024, the Company and its  
22 consolidated subsidiaries owned and operated over 3,700 Chipotle Mexican Grill  
23 restaurants in the United States and internationally.

## 24 | Change in Chipotle's Culture

25        28. Under Chipotle's Denver, Colorado-based founder, Steve Ells's  
26 leadership, Chipotle placed an emphasis on employee satisfaction and building a  
27 culture of family between restaurant workers and management. For example, in its  
28 2010 10-K, the Company stated:

1                   *Culture of High Performers.* We value the individuality of our  
2 company, our employees and our customers, which we believe results in  
3 a management, operations and training philosophy distinct from that of  
4 our competitors. We are committed to creating a performance based  
5 culture that leads to the best restaurant experience possible for our  
6 customers. The foundation of that culture starts with hiring the best  
7 teams in our restaurants. We make an effort to hire employees who  
8 share a passion for food, and who will operate our restaurants in a way  
9 that is consistent with our high standards but that allows each of their  
10 unique personalities and strengths to contribute to our success. We  
11 provide attractive career opportunities to crew and managers who are  
12 committed to work hard, provide great customer service and have the  
13 ability to lead and empower others. We provide hands on, shoulder to  
14 shoulder training to develop the full potential of our restaurant  
15 employees. . . . This program helps encourage our staff members to  
16 develop skills that will enhance their work experience and enrich their  
17 personal lives.

18                  29. Under Ells's leadership, Chipotle employees were taught to focus on  
19 customer satisfaction, and to be more generous with serving portions, should  
20 customers request them, even if it meant less profitability.

21                  30. In 2018, however, Chipotle's corporate culture changed significantly. In  
22 February 2018, Chipotle announced that it had hired Niccol to replace Ells. As  
23 reported on February 13, 2018, the Company's largest shareholder – Pershing Square  
24 Capital Management, L.P. ("Pershing Square") – lauded Niccol's hire as its first  
25 choice and stated, "[Niccol] is the right leader to reinvigorate the company and help it  
26 achieve its enormous potential."

27                  31. After Niccol's hire, there was more pressure at Chipotle to generate  
28 profits by controlling costs. During the 2020 Covid-19 pandemic, however, Chipotle

1 was able to weather some inflationary pressure through several price increases. For  
2 example, Chipotle raised its menu prices by around 10% during 2021 and by an  
3 additional 5% during 2022. During late 2021 and through 2022, as the pandemic  
4 continued to wane in severity, Chipotle management discussed the impact portion  
5 sizes had on the Company's costs and profits, deciding that store employees were  
6 providing too much food to customers and that they needed to be much leaner with  
7 regard to portions. When corporate employees returned to their offices in Spring  
8 2022, there was immense push to increase profits.

9       32. According to Chipotle's former Manager of Customer Incidents, when  
10 employees returned to the Company's corporate offices in 2022, Chipotle executives  
11 called a town hall meeting to discuss the Company's performance. During that  
12 meeting, with Schalow in attendance, Niccol told corporate employees that they were  
13 lazy and not working hard to increase profits.

14       33. According to the same Manager of Customer Incidents, Chipotle started  
15 to receive increased complaints about shrinking portions in 2021 through 2022.  
16 However, the Company did not take them seriously until late 2023, when customer  
17 complaints about shrinking portions increased drastically.

18       34. Under Niccol's leadership, each Chipotle restaurant was expected to meet  
19 or exceed a Company metric known as Critical Inventory (or "CI"). CI tracked food  
20 inventory levels for high-cost items such as steak, chicken, sofritas, avocados, blocks  
21 of cheese, and queso blanco (melted white cheese). Twice each day, Chipotle  
22 restaurant employees were required to count their CI and enter it into system known as  
23 the E-Restaurant System (or "ERS"). The ERS system would provide restaurant  
24 employees and Chipotle management a variance of the amount of inputs actually sold  
25 versus what employees were supposed to provide under Chipotle policy. Chipotle  
26 management expected all restaurants, in general, to produce less than a 0.6% variance  
27 in terms of food on hand compared to what Company policy dictated.

28

1       35. According to a former Chipotle Field Leader and Regional Training  
2 Manager, the easiest way to achieve an acceptable CI was by skimping on portions,  
3 which Chipotle employees did all the time because they were afraid of losing their  
4 jobs. The former Field Leader had numerous conversations with store-level  
5 employees, throughout 2023 and during the Class Period, who saw no other way of  
6 hitting the CI metric without skimping on portions. The former Field Leader spoke to  
7 numerous General Managers in the former Field Leader’s “patch” (a geographical  
8 location, often crossing state lines, representing eight to ten restaurants) about  
9 avoiding skimping and spoke with other General Managers in other patches who  
10 openly admitted to skimping. Further, when the former Field Leader was involved in  
11 Chipotle’s regional training between October 2021 and May 2022, the former Field  
12 Leader worked with over 100 General Managers and observed that skimping was  
13 already an internal issue at Chipotle. And, the former Field Leader stated, the  
14 problem only grew worse up to the point the former Field Leader resigned in 2024.

15 **Complaints of Chipotle “‘Shrinkflation’” and Defendants’ Denials**

16       36. Complaints concerning Chipotle’s “‘shrinkflation’” increased in 2023,  
17 surging toward the latter half of the year. Thousands of customers took to social  
18 media, including TikTok, Reddit, and X (formerly Twitter) to complain.

19       37. For example, on October 30, 2023, content creator Ryan Lynch posted a  
20 video on TikTok complaining of the Company’s shrinking portion sizes. His video  
21 received millions of views, hundreds of thousands of likes, and thousands of  
22 comments from customers that echoed his observations.

23       38. On December 19, 2023, the *New York Post* published an article about the  
24 growing criticism of the Company on social media, headlined “Chipotle called out by  
25 fans over ‘shrinking’ portion sizes,” including the following denial from Schalow:  
26 ““We have not changed our portion sizes, and we continue to receive praise for the  
27 incredible value our entrees offer.”” The *New York Post* article quoted a Northwestern  
28 University professor as stating “[w]hen something touches a nerve like this, brands

1 really do need to respond”” and ““I don’t think anyone is expecting Chipotle to change  
2 overnight, but if I were Chipotle, I would acknowledge [the matter] . . . and look into  
3 it. There may be procedural reasons they cannot do it, but authenticity would go a  
4 long way here.””

5 39. By April 2024, complaints about skimping orders and inconsistent  
6 portioning were gaining increased traction. For example, a website known as  
7 “stoptheskimp.com” began accumulating ratings of Chipotle Mexican Grill restaurants  
8 across the country (and in Europe) by the amount customers reported the restaurants  
9 to have skimped on the ingredients in their orders. As reported by the *Wall Street*  
10 *Journal*, Zackary Smigel released a YouTube video in March 2024 disclosing his  
11 findings with respect to burrito and burrito bowl orders he had placed over 30 days at  
12 three different Chipotle Mexican Grill locations in Pennsylvania and Ohio. Smigel’s  
13 primary finding was that the burritos he ordered online were skimpier 70% of the  
14 time.

15 40. The public backlash peaked in May 2024. On May 3, 2024, TikTok  
16 influencer Keith Lee, who was previously affiliated with Chipotle through a brand  
17 partnership, posted a video that criticized the Company’s shrinking portions. The  
18 video went viral, receiving tens of millions of views, millions of likes, and sparking  
19 multiple follow-on articles by news outlets.

20 41. Privately, according to a former Chipotle General Manager, the Company  
21 responded by holding “town hall” style meetings where Chipotle senior management  
22 told restaurant managers and employees to increase portion sizes.

23 42. Publicly, the Company responded by issuing a flurry of denials. On May  
24 16, 2024, Schalow issued a statement denying that Chipotle’s portion sizes had  
25 changed, as well as denying that customers’ view of Chipotle and the value it  
26 provided them had been negatively impacted.

27  
28

1       43. On May 29, 2024, Schalow and Niccol made multiple public statements,  
2 to news outlets and during a television appearance, each denying that Chipotle's  
3 portion sizes had changed.

4       44. Defendants' denials temporarily had the intended effect. Analysts from  
5 Wedbush Securities LLC published a report following the first denial, on May 20,  
6 2024, reporting on the "slew" of content creators critiquing Chipotle's portion sizes,  
7 but maintaining their 2024 projected earnings estimates.

8       45. On June 27, 2024, analysts from Wells Fargo published a report with  
9 their findings after ordering 75 similar burrito bowls across eight New York City  
10 locations. The analysts found that portion sizes were inconsistent and varied  
11 significantly, with the largest bowl being roughly double the size of the smallest.

12       46. On July 17, 2024, the same analysts from Wells Fargo Securities  
13 published a follow-up report, attributing the Company's recent share price decline to  
14 rising concerns regarding portion size.

15       47. On July 24, 2024, during the Company's 2Q24 Earnings Call, the  
16 Company finally began to reveal the truth. During that call, Niccol informed investors  
17 and the public that an internal review revealed that Chipotle's portion sizes needed to  
18 be corrected, and that doing so would increase the Company's cost of sales and  
19 decrease its profit margins.

20       **DEFENDANTS' FALSE AND MISLEADING STATEMENTS AND  
SCHEME TO MISLEAD CUSTOMERS AND INVESTORS**

21       48. On February 8, 2024, Chipotle filed its 2023 10-K, signed by Niccol and  
22 Hartung. Listed among the Company's "[r]isk [f]actors" was the following statement:  
23 "*Our inability or failure to recognize, respond to and effectively manage the  
immediacy of social media could have a material adverse impact on our  
business. . . . Use of social media by our . . . guests . . . could lead to litigation or  
result in negative publicity that could damage our reputation.*"

1       49. The statement in ¶48, was false and/or materially misleading because the  
2 Company portrayed the risk of social media being used by its customers, causing  
3 negative publicity and damage to the Company’s reputation, as a mere possibility.  
4 But that “risk” had already materialized. As detailed herein at ¶¶37-39, 104, the  
5 Company was already facing significant negative publicity due to the social media  
6 campaigns launched in protest to the Company’s shrinking portion sizes, which the  
7 Company was then failing to recognize, respond to, and/or effectively manage,  
8 thereby causing damage to the Company’s reputation.

9       50. On April 25, 2024, Chipotle filed its 1Q 2024 Form 10-Q with the SEC.  
10 The 1Q 2024 Form 10-Q incorporated by reference the risk factors from the 2023 10-  
11 K, including the risk factor concerning the Company’s ability to recognize, respond,  
12 and effectively manage the immediacy of social media (¶48). Hartung signed the 1Q  
13 2024 Form 10-Q.

14       51. The risk disclosure was false and/or materially misleading for the same  
15 reasons stated in ¶49. In addition, by April 2024, complaints about Chipotle’s  
16 skimping customers and inconsistent portioning were gaining increased traction. For  
17 example, a website known as “stoptheskimp.com” began accumulating ratings of  
18 Chipotle Mexican Grill restaurants across the country (and in Europe) by the amount  
19 customers reported the restaurants to have skimped on the ingredients in their orders.  
20 As subsequently reported by the *Wall Street Journal*, in March 2024, Zackary Smigel  
21 released a YouTube video disclosing his findings concerning burrito and burrito bowl  
22 orders he had placed over 30 days at three different locations in Pennsylvania and  
23 Ohio. Smigel’s primary finding was that the burritos he ordered online were skimpier  
24 70% of the time.

25       52. On May 16, 2024, Schalow was quoted by, among others, *Restaurant*  
26 *Business Online*, issuing the following statement, denying both that any change in  
27 portion sizes had occurred as well as the extent of the harm caused to the Company:  
28

1     **“We have not changed our portion sizes, and our guests continue to appreciate the**  
2     **value we offer them.””**

3         53. On May 29, 2024, Niccol appeared on *CNBC*’s program “Mad Money”  
4 with Jim Cramer to discuss the issues. During Niccol’s appearance, Cramer asked  
5 Niccol, “[*Y*ou haven’t shrunk – you’ve not shrunk the portions?]” Niccol  
6 responded: “**No. No. We never have.**” During Niccol’s “Mad Money” appearance,  
7 he asserted that the social media accusations of Chipotle’s shrinking portions were  
8 “crazy to me” and reminded viewers the Company’s burritos were as “big as your  
9 head.”

10         54. Also on May 29, 2024, Schalow issued statements to various news  
11 outlets, including *ABC News* and *The Washington Post*, which attributed the following  
12 quote to Schalow: “**There have been no changes in our portion sizes . . . .**”

13         55. On May 30, 2024, *Fortune Magazine*, in an article entitled “Chipotle  
14 CEO: Our portion sizes aren’t getting smaller – but you can get more food with a  
15 special look,” quoted Niccol again denying any change to Chipotle’s portion sizes,  
16 saying that “**portions have not gotten smaller.**”

17         56. On June 28, 2024, *CNN* published an article entitled “An analyst ordered  
18 75 Chipotle burrito bowls to test portion sizes.” As part of the story, *CNN* reported  
19 that Schalow had informed the news outlet

20             Chipotle’s bowl size may vary depending upon the number of  
21 ingredients a customer selects or if they choose to make an ingredient  
22 extra or light. ***She said the company has not changed its portion sizes.***

23         57. On July 4, 2024, in an article entitled “Wells Fargo analysts ‘weigh in’ on  
24 Chipotle sizing after restaurant chain faces backlash online,” *Fox Business* reported  
25 that Schalow had shared a Company statement saying “**[*T*here have been no changes  
26 in our portion sizes, and we aim to provide a great guest experience every time.**”

27         58. On July 24, 2024, after markets closed, Chipotle held its quarterly  
28 earnings call for analysts and investors to discuss financial results for the period ended

1 June 30, 2024. During Niccol's prepared remarks, the changes to portion sizes were  
2 front and center:

3 Before I give an update on our five key strategies, I want to take a  
4 minute to address the portion concerns that have been brought up in  
5 social media. First, ***there was never a directive to provide less to our***  
6 ***customers.*** Generous portions [are] a core brand equity of Chipotle. It  
7 always has been, and it always will be.

8 With that said, getting the feedback caused us to relook at our  
9 execution across our entire system with the intention to always serve our  
10 guests delicious, fresh, custom burritos, and bowls with generous  
11 portions.

12 59. The statements in ¶¶52-58 were false and/or materially misleading for the  
13 following reasons:

14 (a) Between 2022 and the beginning of the Class Period, Chipotle's  
15 executives and upper management placed constant and intense pressure on its  
16 restaurant managers to cut costs, closely monitoring and enforcing inventory targets,  
17 which led to employees regularly skimping on portions, particularly for online orders,  
18 with increasing frequency from 2023 to 2024 (¶¶100-102, 105-115);

19 (b) Between 2022 and the beginning of the Class Period, Chipotle  
20 leadership suggested to store managers that they could reduce portion sizes if they  
21 struggled to meet inventory targets (¶¶101, 108, 112);

22 (c) Between 2022 and the beginning of the Class Period, Chipotle's  
23 internal customer complaint database, monitored by Chipotle executives, revealed a  
24 significant spike in complaints about portion sizes, increasing in 2023 and 2024  
25 (¶¶102, 104);

26 (d) No later than March 31, 2024, Chipotle internally acknowledged  
27 that the rising level of customer complaints and the Company's lack of response

1 thereto, had negatively impacted customer sentiment and needed to be addressed  
2 (¶¶102, 104);

3 (e) No later than May 29, 2024, Chipotle leadership, through its  
4 regional managers, instructed restaurant managers and employees to increase portion  
5 sizes as a result of an internal investigation into the widely reported claims that its  
6 portion sizes were shrinking and inconsistent (¶¶109, 114); and

7 (f) On July 24, 2025, Niccol admitted that the concerns raised by  
8 customers were valid and that the Company's portion sizes were an issue, although he  
9 denied, in carefully crafted prepared remarks, that Chipotle ever explicitly directed  
10 employees to skimp.

### 11 THE TRUTH IS REVEALED

12 60. On June 27, 2024, prior to the market open, Wells Fargo analysts  
13 published a report entitled "Chipotle Mexican Grill, Inc. (CMG), Chart(s) of the Day  
14 Part 15: Weighing in on the Burrito Bowl 'Weight Debate.'" In that equity research  
15 report, Wells Fargo stated:

16 In response to rising social media attention, we ordered & weighed  
17 75 like-for-like burrito bowls across 8 NYC locations. At the median in-  
18 store orders and digital orders were very similar (within ~0.2 oz). That  
19 said, consistency varied widely, w/ some locations serving bowls that  
20 weigh ~33% more than other locations (on equivalent orders); and the  
21 heaviest digital/in-store bowls weighing 87%/47% more vs the lightest.  
22 While throughput is improving, order consistency remains an  
23 opportunity.

24 \* \* \*

25 Bowl weight varied widely with the lightest bowl ~3 standard deviations  
26 below the median.

27 The Wells Fargo report noted that U.S. consumers utilizing Google for the search  
28 "Chipotle portion" had reached an all-time high in late-May and early-June 2024.

1       61. On June 27, 2024, Chipotle's stock price closed at \$62.41 per share,  
2 representing a 5.4% drop from the prior day's close of \$65.86.

3        62. On June 27, 2024, *BroBible* published an online article entitled, “Finance  
4 Bro Discovers Chipotle is Completely Lying About Consistent Portion Sizes”:

5 Chipotle has been under fire over portions sizes lately, as social  
6 media is abound with people complaining about the lack of food they're  
7 getting in a standard order compared to what they got in the past from  
8 the fast-casual Mexican chain. Customers have even resorted to filming  
9 themselves going through the lines to ensure they get what they should.

10           A Wells Fargo analyst took it upon himself to test whether portion  
11 sizes truly were as inconsistent as people have been claiming. He tested  
12 75 identical Chipotle bowls at eight restaurants in New York City, and  
13 found that portion sizes wildly vary.

14 \* \* \*

15 Look at the variation there! One bowl was nearly twice as big as  
16 the smallest bowl. I understand that something like a Chipotle-style  
17 restaurant is never going to be exact science. But, to be off by that much  
18 is actually inexcusable.

19           In [M]ay, Chipotle CEO Brian Nicol [sic] claimed that portion  
20 sizes were perfectly fine at Chipotle. He clearly hadn't seen this chart  
21 yet, because this is pretty much a catastrophe for the brand in terms of  
22 quality control.

23       63. On June 28, 2024, CNN published an article entitled “An analyst ordered  
24 75 Chipotle burrito bowls to test portion sizes.” In the article, CNN reported about the  
25 June 27, 2024 Wells Fargo analyst report and noted “[c]ustomers go to restaurant  
26 chains for consistency, and if portion sizes are not standardized it could hurt a chain’s  
27 reputation, analysts say. Many brands have been criticized for shrinking their product  
28 sizes and charging the same or more, known as ‘shrinkflation.’”

1 64. On July 12, 2024, *Bloomberg* published an article about this drop entitled  
2 “Chipotle Rout on Portion Woes Is Chance to Buy, Analysts Say.” The article noted:

A hubbub on social media over Chipotle Mexican Grill Inc.'s portion sizes has sent the burrito chain's shares into their worst tailspin in nearly a year.

\* \* \*

The stock plunged 8.1% in the past five days and is now down 16% from a record set last month. Chipotle's 50-for-1 stock split in late June added to [upward price] volatility in recent weeks.

\* \* \*

11 Chipotle's criticism online comes from diners who say its serving  
12 sizes have shrunk, though Chief Executive Brian Niccol has denied the  
13 claims.

\* \* \*

15 Chris O'Cull [a Stifel analyst] said he wouldn't be surprised if there was  
16 some "short-term disruption" from customers' claims about small  
17 portions, but he views any pullbacks related to this concern as a chance  
18 to buy Chipotle shares.

19       65. On July 15, 2024, TD Securities issued a report stating that its investor  
20 survey data regarding Chipotle slowed in June, “coinciding with a social media focus  
21 on portion variability (aka Stop the Skimp) that we believe is weighing on shares.”

22        66. On July 17, 2024, analysts from Wells Fargo published a follow-up  
23 report to their June 27, 2024 report regarding the wide variances in servings sizes  
24 observed in New York City. The analysts identified a “rising concern” about the  
25 “portion size debate” as a factor explaining the 16% drop in the Company’s stock  
26 price since its recent high in mid-June 2024.

27 67. On July 19, 2024, *YouGov.com* published an article entitled “Is Chipotle  
28 feeling the heat amid portion size concerns? Buzz and Value scores are certainly

1 dipping.” After noting Chipotle had been facing criticism since December 2023  
2 regarding portion sizes, *YouGov* reported that customer sentiment about the Chipotle  
3 brand and whether customers believed they were getting good value for their money –  
4 both nationally and with TikTok users only – had significantly slipped between March  
5 and mid-July 2024.

6 68. Between June 27 and July 23, 2024, as the truth regarding Chipotle’s  
7 shrinking portions leaked into the market, the Company’s stock price dropped from  
8 \$65.86 to \$52.55 per share, or by 20.2%.

9 69. After the market closed on July 24, 2024, during the Company’s 2Q24  
10 Earnings Call, Niccol admitted that customer complaints about Chipotle’s shrinking  
11 portions had forced the Company to “relook at our execution across our entire system  
12 with the intention to always serve our guests . . . with generous portions.” Niccol also  
13 warned investors that the Company’s efforts to correct the problem would result in a  
14 40 to 60 basis point increase in Chipotle’s cost of sales. In an attempt to blunt that  
15 news, the Company announced in a press release, filed with the SEC on Form 8-K the  
16 same day, that it authorized an additional \$400 million in stock buybacks.

17 70. Following Niccol’s disclosure, Chipotle’s stock price dropped from its  
18 July 24, 2024 close of \$51.78 per share, to close at \$49.38 per share on July 26, 2024,  
19 representing a two-day drop of 4.6%. Moreover, analysts from Deutsche Bank,  
20 Morgan Stanley, Oppenheimer, Guggenheim Securities, Stephens Inc., Evercore ISI,  
21 and Wedbush Securities, each issued reports lowering their price target for Chipotle  
22 stock, most by 5%, each citing the Company’s added costs to address the portion size  
23 concerns.

24 71. On October 29, 2024, just before markets closed, Chipotle issued a press  
25 release, which it filed with the SEC on Form 8-K, announcing its third quarter  
26 financial results. In that press release, the Company disclosed that its cost of sales had  
27 increased 90 basis points due in part to its focus “on ensuring consistent and generous  
28

1 portions.” In an attempt to blunt that news, the Company announced in the same press  
2 release that it had authorized a total of \$900 million in stock buybacks.

3        72. After the market closed on October 29, 2024, Chipotle conducted its  
4 3Q24 Earnings Call. During the call, the Company disclosed that its cost of sales  
5 increased by 90 basis points due, in part, to “ensuring consistent and generous  
6 portions.” During that same call, Chipotle’s new CFO, Adam Rymer, also attributed  
7 the Company’s increased cost of sales to “the investment that we made in portion,”  
8 and decreased profit margins to “the portion investment,” when responding to  
9 questions from analysts. Rymer also informed investors that a menu price increase of  
10 2% to 3% may be necessary to offset increased cost of sales due to inflation and the  
11 associated costs of providing consistent portioning to customers.

12        73. Following Chipotle's October 29, 2024 disclosure, Chipotle's stock price  
13 dropped from its October 29, 2024 close of \$60.49 per share, to close at \$55.73 per  
14 share on October 30, 2024, representing a one-day drop of 7.9%.

15        74. On October 30, 2024, during the trading day, *Business Insider* published  
16 an article entitled “Chipotle Says Ensuring ‘Consistent’ Portions Has Hit  
17 Profitability.” The article noted “[p]rofit margins for the chain suffered last quarter  
18 because of a concerted effort to provide ‘consistent and generous portions’ in every  
19 order, the Company said on Tuesday.”

## **LOSS CAUSATION/ECONOMIC LOSS**

21       75. During the Class Period, as detailed herein, Defendants engaged in a  
22 scheme to deceive the market and its customers – a course of conduct that artificially  
23 inflated the price of Chipotle’s stock. Their conduct operated as a fraud or deceit on  
24 members of the Class, including through statements which failed to disclose and  
25 misrepresented the adverse facts relating Company’s portion sizes, cost structure, and  
26 profitability.

27 76. Defendants' Exchange Act violations, including the false and misleading  
28 statements and omissions identified herein at ¶¶48, 50, 52-58, had the intended effect

1 and caused Chipotle stock to trade at artificially inflated levels during the Class  
2 Period.

3       77. The price of Chipotle stock dropped significantly, as the prior artificial  
4 inflation dissipated each time the Defendants' prior false statements,  
5 misrepresentations, and omissions were at least partially disclosed or became apparent  
6 to the market, and/or the risks concealed by their misconduct at least partially  
7 materialized.

8       78. Prior to the market open on June 27, 2024, Wells Fargo published an  
9 analyst report addressing the allegations of Chipotle's shrinking portion sizes. The  
10 Wells Fargo analyst tested 75 burrito bowls ordered from 8 New York City Chipotle  
11 Mexican Grill restaurants, and found that the lightest bowls weighed three standard  
12 deviations lower than median weight of all bowls tested.

13       79. Between June 27 and July 23, 2024, as a direct result of Wells Fargo's  
14 June 27, 2024 analyst report concerning portion consistency, and additional leakage of  
15 persistent and increasing public complaints – for example, negative information  
16 regarding Chipotle customer value and satisfaction scores – the price of Chipotle's  
17 stock dropped from \$65.86 to \$52.55 per share, or 20.2%.

18       80. Between June 27 and July 23, 2024, the Dow Jones Industrial Average  
19 ("DJIA") was up 3.1%, and Chipotle Industry Proxy was down 4.2%.<sup>1</sup> Each day  
20 between June 27 and July 23, 2024, the average daily trading volume for Chipotle's  
21 stock exceeded its 2024 average daily volume of 11.4 million shares.

22  
23       1 According to Chipotle's 2024 Proxy (filed with the SEC in April 2024), the  
24 Company "believes the investment community generally assesses our performance by  
25 reference to a peer group composed primarily of other companies in the restaurant  
26 industry and other high-growth hospitality and digitally enabled, customer-oriented  
27 companies." Chipotle then identified those companies associated with its claimed  
28 "peer group." Plaintiff calculated Chipotle Industry Proxy returns by utilizing daily  
stock price changes associated with the companies listed as Chipotle's claimed "peer  
group" in the 2024 Proxy, but excluded Chipotle's stock price returns for the purpose  
of eliminating bias.

1       81. On July 24, 2024, Niccol admitted publicly that Chipotle had investigated  
2 the allegations of shrinking portions and the Company was forced to “relook at our  
3 execution across our entire system with the intention to always serve our guests . . .  
4 with generous portions.”

5       82. As a result of Defendants’ July 24, 2024 admission that Chipotle’s  
6 shrinking portion sizes was, in fact, a reality and material business matter, the  
7 Company’s stock price suffered another decline. Between July 24 and July 26, 2024,  
8 the price of Chipotle’s stock dropped by 3.6%.

9       83. Between July 25 and July 26, 2024, the DJIA increased by 1.8%, and the  
10 Chipotle Industry Proxy dropped by 1.0%. On July 25, 2024, the Company’s trading  
11 volume was 40.8 million shares, or 360% of its 2024 average trading volume of 11.4  
12 million shares. On July 26, 2024, the Company’s trading volume on the NYSE was  
13 24.6 million shares, or 220% of its 2024 average daily volume of 11.4 million shares.

14       84. On October 29, 2024, the Company disclosed that its cost of sales  
15 increased by 90 basis points in large part due to “ensuring consistent and generous  
16 portions” and a related 2% to 3% price increase was likely.

17       85. As a result of Defendants’ October 29, 2024 disclosure that cost of sales  
18 had increased by a larger amount than expected due to Chipotle’s past conduct of  
19 serving shrinking portion sizes to customers, including the likely necessity of raising  
20 the Company’s menu items by 2% to 3%, on October 30, 2024, the Company’s stock  
21 price suffered yet another price decline. On October 30, 2024, the price of Chipotle’s  
22 stock dropped by 7.9%.

23       86. On October 30, 2024, the DJIA remained relatively unchanged, and the  
24 Chipotle Industry Proxy dropped by 0.8%. On October 30, 2024, the Company’s  
25 trading volume on the NYSE was 28.6 million shares, or 250% of its 2024 average  
26 daily volume of 11.4 million shares.

27  
28

## ADDITIONAL ALLEGATIONS OF SCIENTER

## **Repeated Denials of Public Accusations**

3       87. Between late 2023 and July 2024, there was a steady stream of  
4 allegations by Chipotle customers over social media asserting that while the Company  
5 was steadily increasing the prices of its menu options, it was at the same time cutting  
6 back on portions.

7        88. For example, on December 19, 2023, the *New York Post* reported that  
8 Schalow had denied rumors that Chipotle's portion sizes were shrinking. The article  
9 quoted Schalow as saying: ““We have not changed our portion sizes, and we continue  
10 to receive praise for the incredible value our entrees offer.”” The *New York Post*  
11 article quoted a Northwestern University professor as stating “[w]hen something  
12 touches a nerve like this, brands really do need to respond” and “I don’t think  
13 anyone is expecting Chipotle to change overnight, but if I were Chipotle, I would  
14 acknowledge [the matter] . . . and look into it. There may be procedural reasons they  
15 cannot do it, but authenticity would go a long way here.””

16        89. On May 16, 2024, Schalow denied the growing allegations again, stating:  
17        “We have not changed our portion sizes, and our guests continue to appreciate the  
18        value we offer them.””

19       90. On May 29, 2024, Niccol denied the allegations while appearing on  
20 CNBC's program "Mad Money," stating: "No. No. We never have [shrunk the  
21 portions]."

22        91. Also on May 29, 2024, Schalow issued statements to various news  
23 outlets, including *ABC News* and *The Washington Post*, which attributed the following  
24 quote to Schalow: “‘There have been no changes in our portion sizes . . .’”

25        92. On May 30, 2024, *Fortune Magazine*, in an article entitled “Chipotle  
26 CEO: Our portion sizes aren’t getting smaller – but you can get more food with a  
27 special look,” quoted Niccol again denying any change to Chipotle’s portion sizes,  
28 saying that “portions have not gotten smaller.””

1       93. Then, on July 24, 2024, Niccol admitted that Chipotle, in fact, had a  
2 shrinking portion problem, but then changed the Company's denial to: "[T]here was  
3 never a directive to provide less to our customers."

4       94. These denials and Niccol's admission evidence that Niccol and Schalow  
5 were either sufficiently familiar with the facts regarding Chipotle's shrinking portions,  
6 or were severely reckless in not being sufficiently familiar with the facts to make  
7 repeated and unequivocal denials in the first instance.

8 **Suspicious Insider Trading**

9       95. During April 2024, it was reported that Niccol sold 6,406 shares of  
10 Chipotle stock, for proceeds of approximately \$20.4 million. The sales of these shares  
11 were not reported as being conducted pursuant to Niccol's Rule 10b5-1 trading plan,  
12 or to satisfy any accrued tax obligations associated with the vesting of performance  
13 share units awarded to him. Between January 2, 2024 and January 29, 2024, Niccol  
14 sold another 3,971 shares of Chipotle stock, reportedly to satisfy either accrued tax  
15 obligations associated with vesting of performance share units, and/or pursuant to his  
16 Rule 10b5-1 trading plan, as amended.<sup>2</sup> In the 12-month time period preceding  
17 Niccol's April 2024 insider sales, he did not sell a single share of Chipotle stock  
18 outside of his 10b5-1 trading plan. Niccol's \$20.4 million in proceeds were pure  
19 profits as he acquired those shares at no cost-basis to him. Niccol's profits from his  
20 April 2024 insider sales were 1,570% higher than his 2023 salary of \$1.3 million, and  
21 1,820% higher than his 2024 salary of \$1.12 million. After April 2024, Niccol did not  
22 report any other insider sales of Chipotle pursuant to §16 of the Exchange Act.

23 \_\_\_\_\_  
24       <sup>2</sup> At the same time Niccol was making his insider trades, Pershing Square (which  
25 championed Niccol's selection as Chipotle's CEO in 2018) sold over 348,000 shares  
26 of Chipotle stock, while the Company's stock was trading in a range between  
27 approximately \$2,000 and \$3,400 per share (assuming all shares were sold prior to  
28 Chipotle's June 26, 2024 50-for-1 stock split). Even if Pershing Square sold all of  
those shares at \$2,500, it would have received proceeds exceeding \$870 million. Bill  
Ackman is the principal and founder of Pershing Square. As admitted during an early  
2024 "How Leaders Lead" podcast, Niccol stated "[a]nd to this day, Bill and I still  
chat."

1       96. In addition, Niccol's April 2024 insider sale of Chipotle stock is unusual  
2 in timing in light of the material non-public information Chipotle, including through  
3 Schalow (who reported directly to Niccol), possessed at the time Niccol sold.  
4 Niccol's trade was made during the period in which Chipotle's public statements were  
5 contradicted by the Company's internal discussions and actions. For example,  
6 Chipotle privately acknowledged that the rising level of customer complaints, and the  
7 Company's lack of response thereto, had negatively impacted customer sentiment and  
8 caused reputational harm (¶104). And, while the Company was privately taking steps  
9 to remedy that harm, the Company, through Schalow, denied its portions were  
10 shrinking as early as December 2023.

11       97. During June 2024, it was reported that Hartung reported to the SEC that  
12 he had sold 2,461 shares of Chipotle stock for proceeds of \$8.0 million. This stock  
13 sale was not reported as being made to satisfy tax obligations as a result of vesting of  
14 performance stock units. During 2024, Hartung sold another 2,286 shares, reportedly  
15 to satisfy tax obligations as a result of vesting of performance stock units. In addition,  
16 Hartung's June 2024 insider sale of Chipotle stock is unusual in timing in light of the  
17 material non-public information Chipotle, including through Schalow, possessed at  
18 the time Hartung sold. Hartung's sale was during the same period of information  
19 asymmetry described above in reference to Niccol's trading. And, Hartung sold his  
20 shares after Chipotle, through Niccol and Schalow, had repeatedly denied at least six  
21 times persistent and increased allegations of shrinking portions.

22 **Information from Confidential Sources**

23       98. CS-1 was a Chipotle employee from the summer of 2017 through June  
24 2024. CS-1 occupied various managerial positions during CS-1's time at the  
25 Company, including as a General Manager, Field Leader, and Regional Training  
26 Manager. As Field Leader, CS-1 supervised the managers of roughly ten restaurants.  
27 As a Regional Training Manager, CS-1 trained and oversaw the training of Chipotle  
28 employees and managers for over 100 stores.

1       99. CS-1 regularly interacted with Company leadership during the Class  
2 Period, including interactions with Chipotle’s then-Chief Operating Officer, Scott  
3 Boatwright (“Boatwright”), who reported directly to Niccol at the time and later  
4 became the Company’s CEO upon Niccol’s departure.

5       100. CS-1 observed the culture shift described above (¶¶28-35) that occurred  
6 when Niccols was named CEO. After Niccol joined the Company, CS-1 noticed that  
7 upper management began to apply constant and intense pressure down to the regional  
8 and restaurant levels to cut costs. This pressure was reflected in CS-1’s interactions  
9 with Boatwright. The emails CS-1 received from Boatwright and his team were  
10 usually about financial results, particularly costs of sales, which leadership presented  
11 as “non-negotiable.” When those metrics deviated from the Company standard during  
12 the Class Period, CS-1 witnessed field leaders and restaurant managers being told that  
13 they needed to fix the problems immediately.

14       101. CS-1 reported that Company leadership focused closely on “CI” (or,  
15 “Critical Inventory”). CI included higher-cost menu items, like meats, avocados, and  
16 dairy products. CS-1 reported that store managers were expected to maintain CI  
17 variance – as compared to the expected CI inventory levels based on the items served  
18 that day – of 0.6% of sales or lower. This 0.6% variance figure included any food  
19 waste, narrowing the already unrealistic margin for error. CS-1 observed the pressure  
20 to meet or beat the CI variance figures increase from 2023 to early 2024. CS-1  
21 reported talking to restaurant managers that felt as if they could easily lose their jobs if  
22 their CI metrics weren’t satisfactory to the Company’s leaders. In response to that  
23 pressure, Chipotle employees skimped “all the time,” particularly with online orders  
24 where a customer was not present to observe employees distribute the portions, with  
25 skimping becoming more and more prevalent from 2022 to 2023 and again from 2023  
26 to 2024.

27       102. CS-2 was a Chipotle employee from 2018 through March 2024. CS-2  
28 worked at the Company’s Columbus, Ohio corporate office as Chipotle’s Manager of

1 Customer Incidents. In that role, CS-2 led a team of ten specialists that focused on  
2 customer complaints, monitoring them in an internal Company database that compiled  
3 the complaints by issue. CS-2 reported directly to the Senior Director of Restaurant  
4 Food Safety and indirectly to the Vice President of Food Safety and the Company's  
5 Chief Corporate Affairs Officer, Schalow. CS-2 worked closely with Schalow,  
6 regularly providing her and her team excel spreadsheets of customer complaints,  
7 updates on customer complaints at her request, and helping her respond to various PR  
8 and customer-relations situations.

9 103. Like CS-1, CS-2 observed the shift in culture following Niccol being  
10 named CEO. CS-2 recalled that under the Company's founder, Steve Ells, the culture  
11 was much more lax about portions. Emblematic of this culture shift, CS-2 reported  
12 that upon returning to the office following the COVID-19 pandemic in the spring of  
13 2022, Chipotle executives, including Niccol and Schalow, called a town hall meeting  
14 to discuss the Company's performance. During that meeting, CS-2 recalled Niccol's  
15 remarks, summing them up as basically telling employees that they were lazy and not  
16 working hard enough. This meeting was followed by more discussions of and  
17 pressure surrounding food costs and an immense push regarding profits, led by Niccol.

18 104. While the Company experienced an uptick in complaints about portion  
19 sizes in 2021 and 2022, CS-2 reported that the Company's executives did not seem to  
20 take them seriously until late 2023. In late 2023, Schalow and her team began  
21 focusing on the issues concerning portion size, acknowledging the growing number of  
22 complaints. Prior to CS-2's departure in March 2024, Schalow's team reached out to  
23 CS-2's team for help in addressing the portion size debacle. At the same time,  
24 Defendants were maintaining their public denials that there was any issue with portion  
25 size. Thus, while Defendants publicly denied awareness of any issues with portion  
26 size or customer's perceptions of Chipotle as a result, Schalow's team privately  
27 worked to address portion size concerns. CS-2 recalled that those efforts, and  
28

1 specifically the communications to restaurants attempting to address portion size  
2 issues, were overseen by Schalow.

3 105. CS-3 was a Chipotle employee from 2019 through October 2024. CS-3  
4 was promoted several times prior to the Class Period and was a General Manager from  
5 the beginning of the Class Period through CS-3's departure.

6 106. As a General Manager, CS-3 was tasked with validating inventory levels  
7 and food cost metrics. Despite working in a different geographic region than CS-1,  
8 CS-3 corroborated CS-1's description of CI, CS-1's report that CI metrics were  
9 counted and entered into a Company database twice daily, CS-1's report that CI  
10 variance was required to be at or below 0.6%, and CS-1's report that CI variance  
11 included any food waste.

12 107. CS-3 also recalled General Managers, including CS-3, reported feeling  
13 significant pressure around maintaining compliance with the Company's CI metric  
14 standards. CS-3 attended weekly and bi-weekly meetings with CS-3's regional  
15 manager, along with other General Managers in CS-3's patch, where CS-3's regional  
16 manager would review each store's CI metrics, calling out stores that failed to  
17 comply. CS-3 recalled Field Leaders and VPs performing audits of restaurants,  
18 providing feedback when they visited CS-3's restaurant.

19 108. CS-3 recounted discussions with other General Managers in CS-3's patch  
20 about the pressure they faced to maintain compliance with CI metric goals. According  
21 to CS-3, General Managers, including CS-3, were reprimanded and screamed at if  
22 variance went above the allowed 0.6%. CS-3 reported that CS-3, and other General  
23 Managers in CS-3's patch, discussed feeling like they would be fired if they did not  
24 skimp. CS-3 reported that CS-3, like other General Managers in CS-3's patch, had  
25 been told by Field Leaders or VPs that if they had high CI variance, portion sizes were  
26 to blame. CS-3 also reported that, along with other General Managers in CS-3's  
27 patch, when stores were not meeting CI goals, General Managers were implicitly  
28 instructed to skimp on portions by Field Leaders and VPs that suggested skimping

1 was one way they could bring their stores back into compliance. CS-3 reported that,  
2 as a result of the pressure described above, CS-3 observed employees at CS-3's store  
3 skimp on customer portions.

4 109. CS-3 also recalled the Company's internal reaction following Keith Lee's  
5 May 3, 2024 TikTok described above (¶40-41). CS-3 reported that the Company held  
6 town hall meetings to discuss correcting portion sizes. CS-3 was able to review the CI  
7 metrics reported by all restaurants in CS-3's patch when CS-3 entered CS-3's  
8 restaurant metrics into the Company database. After those meetings, CS-3 recalled  
9 seeing drastic increases in CI metrics reported by restaurants in CS-3's patch -  
10 ballooning to 1%-3%, and in some cases up to five times the permitted variance.

11 110. CS-4 was a Chipotle employee from January 2022 through August 2024.  
12 CS-4 was an Assistant General Manager from the beginning of the Class Period  
13 through CS-4's departure.

14 111. CS-4, despite working in stores in different geographic region from CS-1  
15 and CS-3, corroborated CS-1's and CS-3's accounts concerning CI, including the  
16 Company's requirement that stores measure and enter their CI levels into a database  
17 twice daily. CS-4 also recalled employees at CS-4's store, and other stores in CS-4's  
18 patch, discussing their fear that they would be fired if they did not improve their  
19 inventory numbers. CS-4 reported that these fears were justified; Chipotle employees  
20 at restaurants who did not comply were fired.

21 112. CS-4 reported that the pressure on Chipotle employees to comply with CI  
22 goals trickled down from upper-level leadership, to CS-4 through Vice Presidents and  
23 Field Leaders. CS-4 recalled that this pressure from corporate intensified from 2022  
24 to 2023. At one point during the Class Period, CS-4 discussed the pressure these  
25 metrics imposed with a Field Leader. The Field Leader acknowledged that the goals  
26 were "crazy," but said they were coming from above CS-4's level.

27 113. CS-4 reported that Chipotle employees did skimp and did so due to the  
28 unrealistic expectations imposed by Company leadership and "out of fear of losing

1 their jobs.” CS-4 reported that Company employees received bonuses associated with  
2 achieving certain metrics, including good CI. But, as CS-4 put it, “the fear of keeping  
3 your job was a stronger motivator than the bonuses.”

4 114. CS-4 also recalled the Company’s response to Keith Lee’s May 3, 2024  
5 TikTok and other social media complaints (¶¶40-41, 109). Following Keith Lee’s  
6 viral social media critique, CS-4 was told by employees at the Company’s  
7 headquarters to re-train employees regarding portions.

#### 8 CLASS ACTION ALLEGATIONS

9 115. Plaintiff brings this action on behalf of herself and all persons or entities  
10 who purchased or otherwise acquired Chipotle common stock, all persons or entities  
11 who purchased or otherwise acquired Chipotle call options, and all persons or entities  
12 who sold or otherwise disposed of Chipotle put options between February 8, 2024 and  
13 October 29, 2024, inclusive, and were damaged thereby. Excluded from the Class are  
14 Defendants, as defined above (¶10), present or former executive officers and directors  
15 of Chipotle and their immediate family members (as defined in 17 C.F.R.  
16 §229.404(1)(a)(iii) and (1)(b)(ii)).

17 116. The members of the Class are so numerous that joinder of all members is  
18 impracticable. The disposition of their claims in a class action will provide substantial  
19 benefits to the parties and the Court. Throughout the Class Period, Chipotle’s  
20 securities were actively traded on the NYSE. While the exact number of Class  
21 members is unknown to Plaintiff at this time and can only be ascertained through  
22 appropriate discovery, Plaintiff believes that there are thousands of members in the  
23 proposed Class. During the Class Period, there were more than 27.4 million shares of  
24 Chipotle common stock outstanding and the average daily trading volume was over  
25 11.3 million shares.<sup>3</sup> Record owners and other members of the Class may be  
26

27 28 <sup>3</sup> According to the Company’s 2023 SEC Form 10-K (annual report), as of February 2, 2024, there were approximately 27.4 million Chipotle common stock shares outstanding. On June 26, 2024, however, Chipotle exercised a 50-for-1

1 identified from records maintained by Chipotle or its transfer agent(s) and may be  
2 notified of the pendency of this action using the form of notice similar to that  
3 customarily used in securities class actions.

4       117. There is a well-defined community of interest in the questions of law and  
5 fact involved in this case. Common questions of law and fact exist as to all members  
6 of the Class and predominate over any questions solely affecting individual members  
7 of the Class. Among the questions of law and fact common to the Class are:

8               (a) Whether the federal securities laws were violated by Defendants'  
9 acts and omissions as alleged herein;

10               (b) Whether statements made by Defendants to the investing public  
11 during the Class Period misrepresented and omitted material facts about the shrinking  
12 and/or inconsistent food portions served to customers, and its impact on the cost  
13 structure of the Company; and

14               (c) To what extent the members of the Class have sustained damages  
15 and the proper measure of damages.

16       118. Plaintiff's claims are typical of those of the Class because Plaintiff and  
17 the Class sustained damages as a result of Defendants' wrongful conduct.

18       119. Plaintiff will adequately protect the interests of the Class and has retained  
19 counsel who is experienced in securities and class action litigation. Plaintiff has no  
20 interests which conflict with those of the Class.

21       120. A class action is superior to all other available methods for the fair and  
22 efficient adjudication of this controversy since joinder of all members is  
23 impracticable. Furthermore, as the damages suffered by individual Class members  
24 may be relatively small, the expense and burden of individual litigation makes it

25  
26  
27 common stock split. Prior to the June 26, 2024 stock split, Chipotle's common stock  
28 traded on the NYSE at above \$3,000 per share.

1 impossible for all members of the Class to individually redress the wrongs done to  
2 them. There will be no difficulty in the management of this action as a class action.

3 **APPLICABILITY OF THE PRESUMPTION OF RELIANCE**

4 121. Plaintiff and the Class are entitled to a presumption of reliance pursuant  
5 to *Basic Inc. v. Levinson*, 485 U.S. 224 (1988), and the fraud-on-the-market doctrine  
6 because, during the Class Period, Chipotle common stock traded in an efficient market  
7 on the NYSE, the material misstatements and omissions alleged herein would induce a  
8 reasonable investor to misjudge the value of Chipotle securities, and without  
9 knowledge of the misrepresented or omitted material facts, Plaintiff and other  
10 members of the Class transacted in Chipotle securities between the time Defendants'  
11 Exchange Act violations began, including Defendants' misrepresentations and failures  
12 to disclose material facts about the size and/or consistency of food portions served to  
13 consumers and the time the true facts were disclosed. Accordingly, Plaintiff and other  
14 members of the Class relied, and are entitled to have relied, upon the integrity of the  
15 market for Chipotle securities and are entitled to a presumption of reliance on  
16 Defendants' materially false and misleading statements and omissions during the  
17 Class Period.

18 **CLAIMS FOR RELIEF**

19 **COUNT I**

20 **For Violations of §10(b) of the Exchange Act and Rule 10b-5  
21 Against All Defendants**

22 122. Plaintiff repeats and realleges each and every allegation contained above  
23 as if fully set forth herein. Count I is brought pursuant to §10(b) of the Exchange Act  
24 (15 U.S.C. §78j(b)) and Rule 10b-5 promulgated thereunder (17 C.F.R. §240.10b-5).

25 123. During the Class Period, Defendants violated the Exchange Act and  
26 Rules 10b-5(a) and (c) promulgated thereunder. As alleged herein, Defendants'  
27 scheme and wrongful course of business was designed to and did: (i) enable Chipotle  
28 to artificially deflate its cost of sales and artificially inflate its profit margins; (ii)

1 conceal adverse material information about the size and/or consistency of food  
2 portions served to consumers, and the attendant material risks posed to the investing  
3 public; and (iii) conceal adverse material information contradicting, and/or  
4 inconsistent with, Defendants' false and/or materially misleading statements  
5 complained of herein.

6 124. Plaintiff and the Class have suffered damages in that, in reliance on the  
7 integrity of the market, they transacted in Chipotle securities at prices that were  
8 manipulated by Defendants' fraudulent scheme and wrongful course of business  
9 complained of herein.

10 125. During the Class Period, Defendants also violated §10(b) of the  
11 Exchange Act and Rule 10b-5(b) promulgated thereunder. As alleged herein,  
12 Defendants made or were responsible for the statements specified in ¶¶48, 50, 52-58,  
13 which they knew or recklessly disregarded were false and/or misleading in that they  
14 failed to disclose material facts necessary in order to make the statements made, in  
15 light of the circumstances under which they were made, not misleading.

16 126. Defendants and the Company's officers, management, and agents did not  
17 have a reasonable basis for their alleged false statements and engaged in transactions,  
18 practices, and a course of business which operated as a fraud and deceit upon the  
19 Class during the Class Period.

20 127. Chipotle is liable for all false and/or misleading statements and omissions  
21 made during the Class Period, as alleged above, including the false and misleading  
22 statements made by the Company's officers and agents, as alleged above, as the maker  
23 of such statements and under the principle of *respondent superior*.

24 128. Defendants and the Company's officers, management, and agents directly  
25 and indirectly, by the use of means and instrumentalities of interstate commerce, the  
26 mails, and/or the facilities of a national securities exchange: (a) employed devices,  
27 schemes, and artifices to defraud; (b) made misleading statements and omitted  
28 material facts necessary in order to make the statements made, in light of the

1 circumstances under which they were made, not misleading; and (c) engaged in acts,  
2 practices, and a course of business that operated as a fraud or deceit upon Plaintiff and  
3 others similarly situated in connection with their purchases of Chipotle securities  
4 during the Class Period. All Defendants are sued as primary participants in the  
5 wrongful and illegal conduct alleged herein and as controlling persons as alleged  
6 below.

7       129. The allegations above establish a strong inference that Chipotle, as an  
8 entity, acted with corporate scienter throughout the Class Period, as its officers and  
9 agents had actual knowledge of the false and/or misleading nature of the  
10 misrepresentations and omissions of material facts set forth herein, or acted with  
11 reckless disregard for the truth because they failed to ascertain and to disclose such  
12 facts, even though such facts were available to them. Such material  
13 misrepresentations and omissions were made knowingly or with recklessness, and  
14 without a reasonable basis, for the purpose and effect of concealing the truth about the  
15 size and/or consistency of food portions served to consumers and to Chipotle's future  
16 operational results and strategic direction and artificially inflating the prices of the  
17 Company's securities. By concealing these material facts from investors, Chipotle's  
18 stock price was artificially inflated during the Class Period.

19       130. Plaintiff and the Class have suffered damages in that, in reliance on the  
20 integrity of the market, they transacted in Chipotle securities at the time Chipotle's  
21 stock was artificially inflated. Plaintiff and the Class would not have transacted in  
22 Chipotle securities at the prices they paid, or at all, if they had been aware that the  
23 market prices of Chipotle stock had been artificially and falsely inflated by  
24 Defendants' misleading statements, omissions, and/or fraudulent scheme and course  
25 of conduct complained of herein.

26       131. As a direct and proximate result of Defendants' wrongful conduct,  
27 Plaintiff and the other members of the Class suffered damages in connection with their  
28 transactions in Chipotle securities during the Class Period.

## COUNT II

**For Violation of §20(a) of the Exchange Act  
Against the Individual Defendants**

4       132. Plaintiff repeats and realleges each and every allegation contained above  
5 as if fully set forth herein. Count II is brought pursuant to §20(a) of the Exchange Act  
6 (15 U.S.C. §78t(a)).

7       133. The Individual Defendants acted as controlling persons of Chipotle  
8 within the meaning of §20(a) of the Exchange Act. By virtue of their high-level  
9 positions, their ownership and contractual rights, their participation in and awareness  
10 of the Company's shrinking and/or inconsistent portions served to customers, as well  
11 as their intimate knowledge of the false statements and omissions made by the  
12 Company and disseminated to the investing public, the Individual Defendants had the  
13 power to influence and control and did influence and control, directly or indirectly, the  
14 Company's decision making, including the content and dissemination of the various  
15 statements which Plaintiff contends are false and misleading. Defendants made public  
16 statements regarding the allegations of Chipotle's shrinking portions, and otherwise  
17 lack of consistency in portion sizes, during television interviews and/or to the press,  
18 identified and described herein at ¶¶52-58, and issued risk disclosures through SEC  
19 filings, identified and described herein at ¶¶48, 50, alleged by Plaintiff to be materially  
20 misleading.

134. In particular, Niccol, Hartung, and Schalow had direct and supervisory involvement in the Company's day-to-day operations and, therefore, are presumed to have had the power to control or influence the particular transactions giving rise to the securities violations as alleged herein and to have exercised the same. By reason of such power to control or influence conduct, Niccol, Hartung, and Schalow are liable pursuant to §20(a).

27 135. As set forth above, Niccol, Hartung, and Schalow each violated §10(b)  
28 and Rule 10b-5 by their acts and omissions as alleged in this complaint. By virtue of

1 their positions as controlling persons, Defendants are liable pursuant to §20(a) of the  
2 Exchange Act. As a direct and proximate result of Defendants' wrongful conduct,  
3 Plaintiff and other members of the Class suffered damages in connection with their  
4 purchases of Chipotle stock during the Class Period.

5 **PRAYER FOR RELIEF**

6 WHEREFORE, Plaintiff respectfully prays for relief and judgment, as follows:

7 A. Determining that this action is a proper class action and certifying  
8 Plaintiff as Class representative under Federal Rule of Civil Procedure 23 and  
9 Plaintiff's counsel as Class counsel;

10 B. Awarding compensatory damages in favor of Plaintiff and the other  
11 members of the Class against all Defendants, jointly and severally, for all damages  
12 sustained as a result of Defendants' violations of the federal securities laws, in an  
13 amount to be proven at trial, including interest thereon;

14 C. Awarding Plaintiff and the Class their reasonable costs and expenses  
15 incurred in this action, including counsel fees and expert fees; and

16 D. Such equitable, injunctive, or other and further relief as the Court may  
17 deem just and proper, including, but not limited to, rescission.

18 **DEMAND FOR JURY TRIAL**

19 Plaintiff hereby demands a trial by jury.

20 DATED: April 29, 2025

Respectfully submitted,

21 ROBBINS GELLER RUDMAN  
22 & DOWD LLP  
23 TOR GRONBORG  
24 TRIG R. SMITH  
25 STEPHEN JOHNSON

26  
27  
28  
s/ Trig R. Smith  
TRIG R. SMITH

1 655 West Broadway, Suite 1900  
2 San Diego, CA 92101  
3 Telephone: 619/231-1058  
4 619/231-7423 (fax)  
5 [torg@rgrdlaw.com](mailto:torg@rgrdlaw.com)  
6 [trigs@rgrdlaw.com](mailto:trigs@rgrdlaw.com)  
7 [sjohnson@rgrdlaw.com](mailto:sjohnson@rgrdlaw.com)

8  
9  
10 Lead Counsel for Lead Plaintiff  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28